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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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AZ CORP COMMISSION  
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IN THE MATTER OF NET METERING IN THE )  
 GENERIC INVESTIGATION OF DISTRIBUTED )  
 GENERATION )

DOCKET NO. E-00000A-99-0431

) **ELECTRIC COOPERATIVE**  
 ) **COMMENTS**

The following comments are provided by Grand Canyon State Electric Cooperative, Inc on behalf of Duncan Valley Electric Cooperative, Inc., Graham County Electric Cooperative, Inc., Mohave Electric Cooperative, Inc., Navopache Electric Cooperative, Inc., Trico Electric Cooperative, Inc. and Sulphur Springs Valley Electric Cooperative, Inc. (collectively "Cooperatives"). The Cooperatives hereby respectfully submits to the Arizona Corporation Commission (the "Commission") on the Commission Staff Memorandum and Proposed Order for Net Metering dated August 7, 2007.

**I. Customer Sector Participation**

The Cooperatives believe that net metering should be limited to member/customers with DG systems of 10 kW or less. Net metering creates a subsidy for customers who receive net metering. A cooperative and its members have incurred the cost of a transmission and distribution system to serve all member/customers. A customer that is net metered avoids paying the full cost of those facilities and receives a full retail rate for power provided to the cooperative.

1 The other members will eventually be forced to pay higher rates to subsidize these costs that are  
2 not being paid by net metered customers.

3 In addition, as a result of the high cost of DG systems, affluent member/customers will be  
4 installing DG at the expense of less affluent member/customers. The Cooperatives believe that  
5 limiting participation to DG systems of 10 kW or less will eliminate an incentive for  
6 customer/members to over-size their systems and will result in the installation of a greater  
7 number of small systems.  
8

9 Finally, customers/members who receive incentives or rebates from the cooperative  
10 should not be eligible to receive net metering. If all of customer/members have already paid  
11 through the Renewable Energy Standard surcharge for up to 50 percent of the cost of the  
12 installation of DG system with incentives/rebates, they should not be forced to purchase the  
13 output from that DG system.  
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## 15 **II. Treatment of Net Excess Generation**

16 Member/customers should receive a rate equivalent to the cooperative's avoided cost for  
17 all power that is provided to the cooperative. Because net metering is typically installed on non-  
18 firm, non-utility controlled DG systems, net metering has little effect on the optimal efficiency of  
19 electric utility facilities and resources. To effect the optimal efficiency of electric utility facilities  
20 and resources, DG resources would need to be firm and be dispatchable by the utility during peak  
21 load time periods. The utility does not avoid or conserve on capacity related costs which must be  
22 in place to serve DG customers for back-up and supplemental power.  
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